

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
DIVISION of OIL, GAS and MINING  
355 West North Temple  
3 Triad Center, Suite 350  
Salt Lake City, Utah 84180-1203  
(801) 538-5340

RECLAMATION CONTRACT  
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For the purpose of this RECLAMATION CONTRACT the terms below are defined as follows:

"NOTICE OF INTENTION" (NOI): (File No.) (Mineral Mined)	<u>M/015/062</u> <u>Clay</u>
"MINE LOCATION": (Name of Mine) (Description)	<u>Pagano Clay Project</u> <u>8 Miles S.W. of Wellington</u> <u>Emery County</u>
"DISTURBED AREA": (Disturbed Acres) (Legal Description)	<u>17 Acres</u> <u>(refer to Attachment "A")</u>
"OPERATOR": (Company or Name) (Address)	<u>Jay Pagano Estate</u> <u>P. O. Box 136</u> <u>Wellington, Utah 84501</u>
(Phone)	<u>(801) 637-2806</u>

"OPERATOR'S REGISTERED AGENT":

(Name)

Harold R. Marston

(Address)

P.O. Box 136

Wellington, Utah 84501

(Phone)

(801) 637-2806

"OPERATOR'S OFFICER(S)":

N/A

"SURETY":

(Form of Surety - Attachment B)

Surety Bond

"SURETY COMPANY":

(Name, Policy or Acct. No.)

Federal Insurance Company

Bond No.

"SURETY AMOUNT":

(Escalated Dollars)

\$3,700.00

"ESCALATION YEAR":

1996 Dollars

"STATE":

State of Utah

"DIVISION":

Division of Oil, Gas and Mining

"BOARD":

Board of Oil, Gas and Mining

ATTACHMENTS:

A "DISTURBED AREA":

B "SURETY":

This Reclamation Contract (hereinafter referred to as "Contract") is entered into between Jay Pagano Estate the "Operator" and the Utah State Board of Oil, Gas and Mining ("Board").

WHEREAS, Operator desires to conduct mining operations under Notice of Intention (NOI) File No. M/015/062 which has been approved by the Utah State Division of Oil, Gas and Mining "Division" under the Utah Mined Land Reclamation Act, Sections 40-8-1 et seq., Utah Code Annotated, (1953, as amended) (hereinafter referred to as "Act") and implementing rules; and

WHEREAS, Operator is obligated to reclaim that area described as the Disturbed Area as set forth and in accordance with Operator's approved Reclamation Plan, and Operator is obligated to provide surety in form and amount approved by the Board, to assure reclamation of the Disturbed Area.

NOW, THEREFORE, the Board and the Operator agree as follows:

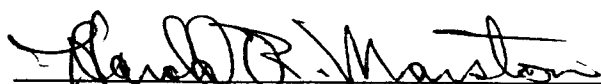
1. Operator agrees to conduct reclamation of the Disturbed Area in accordance with the Act and implementing regulations, the original Notice of Intention dated May 5, 1992, and the original Reclamation Plan dated February 18, 1993. The Notice of Intention as amended, and the Reclamation Plan, as amended, are incorporated by this reference and made a part hereof.
2. Concurrent with the execution hereof, Operator has provided surety to assure that reclamation is conducted, in form and amount acceptable to the Board. Such surety as evidenced by the Surety Contract is in the form of the surety attached hereto as Attachment B and made a part hereof. The Surety Contract shall remain in full force and effect according to its terms unless modified by the Board in writing. If the Surety Contract expressly provides for cancellation, then, within 60 days following the Division's receipt of notice that the Surety Company intends to cancel the Surety Contract, the Operator shall provide a replacement Surety Contract in a form and amount reasonably acceptable to the Board. If the Operator fails to provide an acceptable replacement Surety Contract, the Division may order the Operator to cease further mining activities and to begin immediate reclamation of the Disturbed Area.
3. Operator agrees to pay legally determined public liability and property damage claims resulting from mining to the extent provided in Section 40-8-7(1)(e) of the Act.
4. Operator agrees to perform all duties and fulfill all reclamation requirements applicable to the mine as required by the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
5. The Operator's liability under this Contract shall continue in full force and effect until the Division certifies that the Operator has reclaimed the Disturbed Area in accordance with the Act and implementing rules, the Notice of Intention, as amended and the Reclamation Plan, as amended.
6. If reclamation of discrete sections of the Disturbed Area is completed to the satisfaction of the Division, and the Division finds that such sections are severable from the remainder of the Disturbed Area, Operator may request the Division to certify that Operator has reclaimed such discrete sections of the Disturbed Area in accordance with the Act and Implementing rules, the Notice of Intention, as

amended and the Reclamation Plan, as amended. If the Division makes such certification, Operator may make request to the (Board) that the aggregate face amount of the Surety Contract provided pursuant to paragraph 2 be reduced to an amount necessary to provide for completion of the remaining reclamation. The (Board) shall hear Operator's request for such reduction in accordance with the Board's Procedural Rules concerning requests for Agency Action.

7. Operator agrees to indemnify and hold harmless the State, Board and the Division from any claim, demand, liability, cost, charge, suit, or obligation of whatsoever nature arising from the failure of Operator or Operator's agents and employees, or contractors to comply with this Contract.
8. Operator may, at any time, submit a request to the Board to substitute surety. The Board, in its sole judgment and discretion, may approve such substitution if the substitute surety meets the requirements of the Act and the implementing rules.
9. This Contract shall be governed and construed in accordance with the laws of the State of Utah.
10. If Operator shall default in the performance of its obligations hereunder, Operator agrees to pay all costs and expenses, including reasonable attorney's fees and costs incurred by the Division and/or the Board in the enforcement of this Contract.
11. Any breach that the Division finds to be material of the provisions of this Contract by Operator may, at the discretion of the Division, result in an order to cease mining operations. After opportunity for notice and hearing, the Board of Oil, Gas and Mining may enter an order to revoke the Notice of Intention, order reclamation, or order forfeiture of the Surety Contract, or take such other action as is authorized by law.
12. In the event of forfeiture of the Surety Contract, Operator shall be liable for any additional costs in excess of the surety amount which are required to comply with this Contract. Any excess monies resulting from forfeiture of the Surety Contract, upon completion of reclamation and compliance with this Contract, shall be returned to the rightful claimant.
13. This Contract including the Notice of Intention, as amended and the Reclamation Plan, as amended, represents the entire agreement of the parties involved, and any modification must be approved in writing by the parties involved.

14. Each signatory below represents that he/she is authorized to execute this Contract on behalf of the named party.


Harold R. Marston  
Authorized Officer (Typed or Printed)

  
Authorized Officer's Signature

1-13-95  
Date

SO AGREED this 22nd day of March, 19 95.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:

BY   
Dave D. Lauriski, Chairman  
Utah State Board of Oil, Gas and Mining

DIVISION OF OIL, GAS AND MINING:

By

James W. Carter, Director

Date

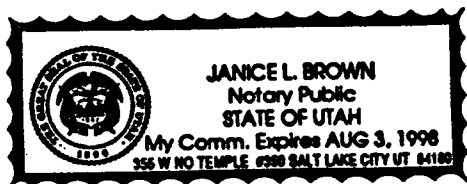
March 8, 1995

STATE OF UTAH )

) ss:

COUNTY OF SALT LAKE )

On the 8<sup>th</sup> day of March, 19 95, personally appeared before me, who being duly sworn did say that he/she, the said JAMES W. CARTER is the Director of the Division of Oil, Gas and Mining, Department of Natural Resources, State of Utah, and he/she duly acknowledged to me that he/she executed the foregoing document by authority of law on behalf of the State of Utah.



Janice L. Brown  
Notary Public

Residing at: Salt Lake City, Utah

August 3, 1998  
My Commission Expires:

OPERATOR:

Jay Pagano Estate  
Operator Name

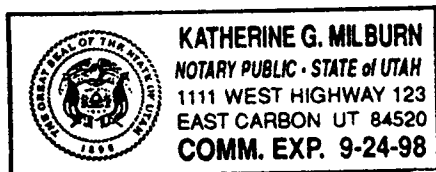
By Harold R. Marston  
Corporate Officer - Position

1-13-95  
Date

Harold R. Marston  
Signature

STATE OF Utah )  
COUNTY OF Carbon ) ss:

On the 13<sup>th</sup> day of January, 19 95, personally  
appeared before me Harold R. Marston who  
being by me duly sworn did say that ~~he~~ she, the said operator  
is the Corporate Officer of Jay Pagano Estate  
and duly acknowledged that said instrument was signed on behalf of said company  
by authority of its bylaws or a resolution of its board of directors and said  
Harold R. Marston duly acknowledged to me that said  
company executed the same.



Katherine G. Milburn  
Notary Public  
Residing at: Price, Utah

My Commission Expires: \_\_\_\_\_

SURETY:

FEDERAL INSURANCE COMPANY  
Surety Company

By Paula T. Peterson, Attorney-in-Fact January 13, 1995  
Company Officer - Position Date

Paula T. Peterson  
Signature

STATE OF Idaho )  
 ) ss:  
COUNTY OF Lemhi )

On the 13th day of January, 19 95, personally  
appeared before me Paula T. Peterson who  
being by me duly sworn did say that he/she, the said Paula T. Peterson  
is the Attorney-in-Fact of Federal Insurance Company  
and duly acknowledged that said instrument was signed on behalf of said company  
by authority of its bylaws or a resolution of its board of directors and said  
Paula T. Peterson duly acknowledged to me that said  
company executed the same.

Lavinna Stroud  
Notary Public  
Residing at: Leadore, Idaho

October 26, 1999  
My Commission Expires:

NOTE: An affidavit of Qualification must be completed and attached to this  
form for each authorized agent or officer. Where one signs by virtue of Power of  
Attorney for a company, such Power of Attorney must be filed with this Contract.



ATTACHMENT "A"

Jay Pagano Estate  
Operator

Pagano Clay Project  
Mine Name

M/015/062  
Permit Number

Emery County, Utah

**The legal description of lands to be disturbed is:**

NE 1/4, NW 1/4, Section 1, Township 16 South, Range 11 East

NW 1/4, NE 1/4, Section 1, Township 16 South, Range 11 East

and

SE 1/4, Section 36, Township 15 South, Range 11 East

**POWER OF ATTORNEY  
FEDERAL INSURANCE COMPANY  
ATTN: SURETY DEPARTMENT**

15 Mountain View Road, Warren, NJ 07059

(908) 580-2000

Know all Men by these Presents, That **FEDERAL INSURANCE COMPANY**, an Indiana Corporation, has constituted and appointed, and does hereby constitute and appoint Paula T. Peterson, Jon M. Riche, Dolores Barden, Eric Englund and Brenda J. Lewis of Boise, Idaho -----


each its true and lawful Attorney-in-Fact to execute under such designation in its name and to affix its corporate seal to and deliver for and on its behalf as surety thereon or otherwise, bonds of any of the following classes, to-wit:

1. Bonds and Undertakings (other than Bail Bonds) filed in any suit, matter or proceeding in any Court, or filed with any Sheriff or Magistrate, for the doing or not doing of anything specified in such Bond or Undertaking.
2. Surety bonds to the United States of America or any agency thereof, including those required or permitted under the laws or regulations relating to Customs or Internal Revenue; License and Permit Bonds or other indemnity bonds under the laws, ordinances or regulations of any State, City, Town, Village, Board or other body or organization, public or private; bonds to Transportation Companies, Lost Instrument bonds; Lease bonds, Workers' Compensation bonds, Miscellaneous Surety bonds and bonds on behalf of Notaries Public, Sheriffs, Deputy Sheriffs and similar public officials.
3. Bonds on behalf of contractors in connection with bids, proposals or contracts.

In Witness Whereof, the said **FEDERAL INSURANCE COMPANY** has, pursuant to its By-Laws, caused these presents to be signed by its Vice President and Assistant Secretary and its corporate seal to be hereto affixed this 8th day of April 19 94

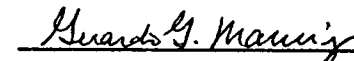
Corporate Seal



  
Kenneth C. Wendel

Assistant Secretary

**FEDERAL INSURANCE COMPANY**  
BY

  
Gerardo G. Mauriz

Vice President

STATE OF NEW JERSEY  
County of Somerset

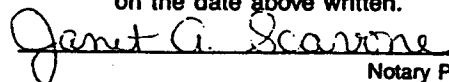
} ss.

On this 8th day of April 19 94, before me personally came Kenneth C. Wendel to me known and by me known to be Assistant Secretary of **FEDERAL INSURANCE COMPANY**, the corporation described in and which executed the foregoing Power of Attorney, and the said Kenneth C. Wendel being by me duly sworn, did depose and say that he is Assistant Secretary of **FEDERAL INSURANCE COMPANY** and knows the corporate seal thereof; that the seal affixed to the foregoing Power of Attorney is such corporate seal and was thereto affixed by authority of the By-Laws of said Company, and that he signed said Power of Attorney as Assistant Secretary of said Company by like authority; and that he is acquainted with Gerardo G. Mauriz and knows him to be the Vice President of said Company, and that the signature of said Gerardo G. Mauriz subscribed to said Power of Attorney is in the genuine handwriting of said Gerardo G. Mauriz and was thereto subscribed by authority of said By-Laws and in deponent's presence.

Notarial Seal



Acknowledged and Sworn to before me  
on the date above written.

  
Notary Public

**JANET A. SCAVONE**  
Notary Public, State of New Jersey  
No. 2950020  
Commission Expires October 2, 1994

ATTACHMENT B

MR FORM 5  
April 8, 1993

Bond Number \_\_\_\_\_  
Permit Number M/015/062  
Mine Name Pagano Clay Project

STATE OF UTAH  
DEPARTMENT OF NATURAL RESOURCES  
Division of Oil, Gas and Mining  
355 West North Temple  
3 Triad Center Suite 350  
Salt Lake City, Utah 84180-1203  
(801) 538-5340

THE MINED LAND RECLAMATION ACT

SURETY BOND

\*\*\*\*\*

The undersigned Jay Pagano Estate, as  
Principal, and FEDERAL INSURANCE COMPANY, as  
Surety, hereby jointly and severally bind ourselves, our heirs, administrators, executors,  
successors, and assigns, jointly and severally, unto the State of Utah, Division of Oil,  
Gas and Mining (Division) in the penal sum of Three Thousand Seven Hundred and no/100  
dollars (\$ 3,700.00\*\*\*\*\*).

Principal has estimated in the Mining and Reclamation Plan approved by the  
Division on the 8th day of June, 19 93, that 17  
acres of land will be disturbed by mining operation in the State of Utah.

A description of the disturbed land is attached as "Attachment A" to the  
Reclamation Contract, of which this document is an integral part.

The condition of this obligation is that if the Division determines that Principal  
has satisfactorily reclaimed the disturbed lands in accordance with the approved Mining  
and Reclamation Plan and has faithfully performed all requirements of the Mined Land  
Reclamation Act, and complied with the Rules and Regulations adopted in accordance  
therewith, then this obligation shall be void; otherwise it shall remain in full force and  
effect.

If the Mining and Reclamation Plan provides for periodic partial reclamation of  
the disturbed lands, and if the lands are reclaimed in accordance with such Plan, Act  
and regulations, then Principal may apply for a reduction in the amount of this Surety  
Bond.

In the converse, if the Mining and Reclamation Plan provides for a gradual  
increase in the area disturbed or the extent of disturbance, then, the Division may  
require that the amount of this Surety Bond be increased, with the written approval of  
the Surety.

This bond may be canceled by Surety after ninety (90) days following receipt by the Division and Principal of written notice of such cancellation. Surety's liability shall then, at the expiration of said ninety (90) days, cease and terminate except that Surety will remain fully liable for all reclamation obligations of the Principal incurred prior to the date of termination.

Principal and Surety and their successors and assigns agree to guarantee said obligation and to indemnify, defend, and hold harmless the Division from any and all expenses (including attorney fees) which the Division may sustain in the collection of sums due hereunder.

Surety will give prompt notice to Principal and to the Division of the filing of any petition or the commencement of any proceeding relating to the bankruptcy, insolvency, reorganization, or adjustment of the debts of Surety, or alleging any violation or regulatory requirements which could result in suspension or revocation of the Surety's license to do business.


IN WITNESS WHEREOF, the Principal and Surety hereunto set their signatures and seals as of the dates set forth below.

Date January 13, 1995

Jay Pagano Estate  
Principal (Permittee)

By (Name typed): Harold R. Marston

Title: Personal Representative

Signature: 

Date January 13, 1995

FEDERAL INSURANCE COMPANY  
Surety

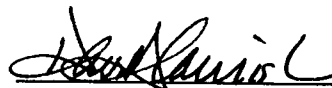
By (Name typed): Paula T. Peterson

Title: Attorney-in-Fact

Signature: 

SO AGREED this 22nd day of March, 1995.

AND APPROVED AS TO FORM AND AMOUNT OF SURETY:



Dave D. Lauriski, Chairman  
Utah State Board of Oil, Gas and Mining

\*NOTE: Where one signs by virtue of Power of Attorney for a Surety, such Power of Attorney must be filed with this bond. If the Operator is a corporation, the bond shall be executed by its duly authorized officer.

## AFFIDAVIT OF QUALIFICATION

Paula T. Peterson, being first duly sworn, on oath deposes and says that he/she is the (officer or agent) agent (Attorney-in-Fact) of said Surety, and that he/she is duly authorized to execute and deliver the foregoing obligations; that said Surety is authorized to execute the same and has complied in all respects with the laws of Utah in reference to becoming sole surety upon bonds, undertaking and obligations.

Signed: Paula T. Peterson  
Surety Officer  
Paula T. Peterson

Title: Attorney-in-Fact

Subscribed and sworn to before me this 13th day of January, 19 95.

Lavina Stroud  
Notary Public  
Residing at: Leadore, Idaho

My Commission Expires:

October 26, 1999